
METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES -INPATIENT
HOSPITAL CARE

General Hospitals

Effective for services provided on or after July 1, 2003, the Vermont Medicaid Program will reimburse all general hospitals (See 18 V.S.A. §1902) at all-inclusive, prospective per diem rates.

Vermont General Hospitals

Base Rates

The costs of all Vermont general hospitals and out-of-state general hospitals receiving Medicaid payments during state fiscal year 1992 of \$100,000 or more formed the basis for the first prospective all-inclusive, per diem rates. Base year costs reported by those hospitals were identified. Categories of cost included in that rate setting methodology were related to routine services (including malpractice costs and medically necessary private room costs), ancillary services, capital, and direct medical education. The 1989 fiscal year was the initial base year and has been inflated in successive years to state fiscal year '03. The all-inclusive, prospective, per diem rates are set by peer group and by accommodation type.

Peer Groups

Three peer groupings have been established for the reimbursement system. The peer groups are:

- Teaching hospitals
- Non-teaching hospitals with 80 beds or more
- Non-teaching hospitals with fewer than 80 beds

Teaching hospital status is determined based on information published by the American Hospital Association or other reliable source. Bed size will be determined by licensed capacity or by a finding of fact by the Program Director.

Effective July 1, 2003, a new Critical Access peer group shall be established. Porter Medical Center, Mount Ascutney, Gifford, and Grace Cottage Hospitals will be shifted from the less than 80 bed peer group to this new group. The all-inclusive per diem rates for the medical/surgical, nursery and intensive care units of each hospital in the Critical Access peer group shall be set at new levels that reflect critical access hospital costs as would be determined by Medicare reimbursement principals and shall be known as the '04 base rates.

(Continued)

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METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES -INPATIENT
HOSPITAL CARE (CONTINUED)

Accommodation Types

Reimbursement rates have been established for four accommodation types: medical/surgical, nursery, intensive care unit, and other intensive care unit. A fifth accommodation type, psychiatric care, has been established for Vermont hospitals specifically designated by the Commissioner of Developmental and Mental Health Services.

Rate Change

Effective July 1, 2003, the base rate for each accommodation type in the non-teaching-hospital-with-80-beds-or-more peer group shall be increased by 5%.

Add-on Payment

Effective July 1, 2003, all Vermont hospitals except the critical access peer group shall be granted an add-on payment amount specific to each accommodation type as follows:

Service	% Rate Increase
M/S	47.0%
Nursery	36.0%
ICU	30.0%
ICU-Other	80.0%
Psych	24.0%

These increases will not affect or be included in the base rate when calculating future inflation increases.

Inflation Adjustments

In future years, the fiscal year '04 rates may be changed as follows:

1. Effective 7/1/04 all '04 base rates will be increased by 1.444% and be known as the '05 base rates.
2. For dates of service 10/1/05 to 6/30/06, the '05 base rates will be decreased by 22.2%.
3. For dates of service 7/1/06 to 12/31/06, the '05 base rates will be reduced by 23.8% and shall be known as the '07 base rates.
4. For dates of service 1/1/07 and beyond, the '07 base rates will be increased by 6.1% and shall be known as the '07 revised base rates.
5. (Reserved for future use.)

(Continued)

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METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES INPATIENT HOSPITAL CARE (CONTINUED)

▪ **Non-participating General Hospitals**

Hospitals not defined as "participating" are reimbursed by accommodation type at the median rate established for the peer group in which the hospital would be classified if it were a participating hospital.

The methodology described above does not preclude the Program from reimbursing at negotiated rates non-participating hospitals providing unusual and highly complex services (such as transplants) that are not available in participating hospitals or in designated border hospitals.

For Medicaid recipients with joint Medicare eligibility, payment is made to providers in an amount determined by Medicare to cover coinsurance and deductible amounts remaining after Medicare payment.

Payments made pursuant to these methods and standards will be deemed to be payment in full for services provided and the hospitals may not bill, or otherwise collect from, the recipient or anyone acting on his/her behalf any supplemental amount.

Inappropriate level of care days are reimbursed at a per diem rate established by the Division of Rate Setting, to be in effect for care provided during each successive State fiscal year, with no retroactive adjustments. The reimbursement rate is equal to the average statewide rate per patient day paid for services furnished in nursing facilities during the previous calendar year.

Inpatient Psychiatric Facility Services - State Institutions

Reimbursement will be made at per diem rates established for the Vermont State Hospital based on reasonable costs. Interim rates are established by the Department of Mental Health and adjusted at year end.

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METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES - INPATIENT
HOSPITAL CARE (CONTINUED)

Non-Vermont General Hospitals

All out-of-state hospitals are reimbursed by accommodation type at the out-of-state base rate established for the three peer groups (excluding the Critical Access group) in which the hospital would be classified by teaching status or bed size. The teaching-hospital group shall be divided into two groups - border and non-border teaching-hospitals. Border teaching-hospitals shall be those in which 25% or more of their inpatients are Vermont residents. Effective 10/1/03, the out-of-state base rates for SFY04 shall be the same as the median rates for SFY03; except the border teaching-hospital group will have a 16.5% add-on increase to its per diem rates (base rate + add on). All out-of-state critical access hospitals are reimbursed by accommodation type at the out-of-state rate for the non-teaching hospital with less than 80 beds peer group.

The methodology described above does not preclude the program from reimbursing non-Vermont hospitals providing unusual and highly complex services (such as transplants) that are not available in Vermont or border teaching-hospitals. Such services may be reimbursed on a negotiated rate basis.

All General Hospitals

For Medicaid beneficiaries with Medicare eligibility as well, payment is made to providers in an amount determined by Medicare to cover coinsurance and deductible amounts remaining after Medicare payment.

Payments made pursuant to these methods and standards will be deemed to be payment in full for services provided and the hospitals may not bill, or otherwise collect from, the beneficiary or anyone acting on his/her behalf any supplemental amount.

Swing bed, waiting placement and inappropriate level of care days are reimbursed at a per diem rate established by the Division of Rate Setting equal to the average statewide rate per patient day paid for services furnished in nursing facilities during the previous calendar year.

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METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES - INPATIENT
HOSPITAL CARE (CONTINUED)

Inpatient Psychiatric Facility Services - State Institutions

Reimbursement will be made at per diem rates established for the Vermont State Hospital based on reasonable costs. Interim rates are established by the Department of Developmental and Mental Health Services and adjusted at year end.

Inpatient Psychiatric Facility Services - Non-public Facilities

For services provided to individuals under age 22 at the Brattleboro Retreat, the all-inclusive, prospective per diem rate is \$1204.04.

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METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES – INPATIENT
HOSPITAL SERVICES (CONTINUED)

IV. Special Payment Provisions (Continued)

E. Out of State Facilities

Out-of-state facilities will receive payments using the same payment formulas as stated in III.A.1 and III.A.2. However, the values of components of the formulas may differ from those used to pay in-state hospitals.

1. A Base Rate will be assigned to each participating out-of-state hospital based upon its peer group.
 - a. Border Teaching Hospitals: Defined as hospitals within 10 miles of the Vermont border that operate post-graduate training programs. For payments on or after January 19, 2009, the base rate will equal 90.0% of the in-state base rate.
 - b. Non-Border Teaching Hospitals: Defined as hospitals greater than 10 miles of the Vermont border that operate post-graduate training programs. For payments on or after October 3, 2008, the base rate will equal 55.2% of the in-state base rate.
 - c. Other Out-of-State Hospitals: Defined as hospitals not meeting the criteria of G.1.a or G.1.b. For payments on or after October 3, 2008, the base rate will equal 51.5% of the in-state base rate.
2. A Fixed Outlier Value will be assigned to each participating out-of-state hospital based upon its peer group.
3. An Outlier Percentage will be assigned to each participating out-of-state hospital based upon its peer group.